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# MEMORANDUM TO THE CHAIRMAN

On behalf of the Office of the Inspector General (OIG) for the U.S. Nuclear Regulatory Commission (NRC), I am pleased to submit this *Semiannual Report* to the U.S. Congress. This report summarizes significant OIG activities during the period from April 1, 2001, through September 30, 2001, in compliance with Sections 4 and 5 of the Inspector General Act of 1978, as amended.

During this reporting period, our office completed 9 performance audits that made 52 recommendations to the NRC for program improvements and identified \$75,000 in funds that could be put to better use. Six contract audits conducted by the Defense Contract Audit Agency identified \$2,422 in questioned costs. In addition, the OIG completed 35 investigations, and made 17 referrals to NRC management.

As detailed later in this report, the audit and investigative activities carried out during this period, together with other initiatives that are still in progress, have specifically addressed all seven of the most serious management challenges facing the NRC, which the OIG updated and identified to Congress in November 2000.

As we move forward from the tragedy of the terrorist attacks on September 11, 2001, the OIG will do everything in its power to assist the NRC, our Government and the Federal law enforcement community in restoring peace and security to our Nation. We also look forward to continuing to work effectively with the Commission, as well as the agency's management and staff at all levels, in our common goals of ensuring the effectiveness, efficiency, and integrity of the programs that ultimately protect the health and safety of the public.

Sincerely,

A handwritten signature in black ink, reading "Hubert T. Bell". The signature is written in a cursive, flowing style.

Hubert T. Bell  
Inspector General

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# EXECUTIVE SUMMARY

*The following two sections highlight selected audits and investigations completed during this reporting period. More detailed summaries appear in subsequent sections of this report.*

## AUDITS

- Commercial nuclear power plant licensees submit approximately 1,500 applications each year to request that the U.S. Nuclear Regulatory Commission (NRC) amend their operating licenses. An audit by the NRC's Office of the Inspector General (OIG) revealed that the NRC's Office of Nuclear Reactor Regulation (NRR) has developed a detailed process for responding to license amendment requests. The process, which includes developing safety evaluations, is well thought out and thorough, and includes steps to ensure that the staff performs the required technical reviews. However, NRR does not maintain sufficient documentation to demonstrate that the staff, in fact, completes all process steps. In addition, NRR does not meet agency record management requirements in documenting the license amendment process.
- Another OIG audit revealed that the NRC's property management policies for non-capitalized information technology (IT) equipment adhere to applicable laws and regulations, such as the Federal Property Management Regulations. However, the management controls to implement these policies are inadequate or lacking. Also, the agency's automated property records system contains inaccurate information. In part, this system is supposed to account for approximately 16,000 pieces of noncapitalized IT equipment, with an acquisition cost of approximately \$51 million. Statistical projections indicate that the system does not accurately reflect the locations of as many as 3,571 pieces of noncapitalized IT equipment, with an acquisition cost of approximately \$8.38 million. The OIG reported that the agency needs improved management controls to better safeguard its equipment.
- One objective of the Nuclear Waste Policy Act was to avoid nuclear power plant shut-downs due to the loss of spent fuel storage capacity. An OIG audit revealed that, because of re-racking (i.e., redistributing used fuel rods to gain more space in the spent fuel pool) and limited use of dry cask storage, no licensee to date has shut down a plant as a result of insufficient spent fuel storage space. However, only limited additional storage capacity is available through continued re-racking, and more than 1,000 dry casks are expected to be in use by the end of the decade. The NRC may also need to certify additional cask designs. The OIG identified that use of the direct final rule process for those certifications could result in saving \$75,000 per design and reduce the processing time by 28 weeks.
- One of the most serious management challenges facing the NRC is the maintenance of a highly competent staff to carry out the agency's public health and safety mission.

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About 15 percent of the NRC's staff (403 employees) is eligible to retire, and the percentage is as high as 20 percent or greater in some technical offices. An OIG audit revealed that the NRC is making an effort to strengthen its workforce planning approach; however, the agency lacks a comprehensive, agencywide workforce plan. The OIG reported that, until the NRC develops and implements such a plan, the future of its workforce planning efforts is at risk and could potentially jeopardize its ability to maintain the workforce needed to meet its mission.

## **INVESTIGATIONS**

- The OIG conducted an investigation on the basis of an anonymous letter alleging that NRC regional employees were altering devices in order to steal satellite television programming. The letter further alleged that these individuals were selling these devices to other NRC regional staff members. This investigation confirmed that a regional supervisor and another employee were altering the access cards used within DIRECTV satellite television devices to receive unrestricted, free access to DIRECTV's programming. The investigation also revealed that a second NRC regional manager had paid one of the individuals to alter his access card to enable him to receive free programming.
- The OIG completed two separate investigations involving an NRC resident inspector. One investigation involved the inspector's misuse of his Government Citibank Visa travel credit card for personal purchases and for personal air travel using the Government's fare rate. The second investigation involved the inspector's misuse of his Government-assigned NRC computer.
- The first OIG investigation revealed that the resident inspector used his Government Citibank Visa travel credit card for \$269.57 in personal purchases after he had been counseled by his supervisor on two separate occasions regarding his improper use of the credit card. The second OIG investigation revealed that the resident inspector visited "adult" Web sites using his NRC computer and downloaded 279 pornographic images.
- The OIG completed an investigation involving a former employee of an NRC contractor, who alleged that his employment was terminated after he reported misconduct by two NRC staff members in a letter to senior regional management. This investigation revealed that senior regional management violated NRC Management Directives and internal policy guidance pertaining to the handling of allegations by releasing the letter containing allegations to the NRC contractor's supervisor. As a result of receiving the letter, the NRC contractor terminated the employee. In addition, the OIG determined that senior regional management distributed the letter to at least three other regional employees, including a staff member who was the subject of one of the allegations contained in the letter.
- The OIG completed an investigation regarding the failure of the regional staff to take appropriate action after receiving new information concerning a harassment and intimidation (H&I) investigation that the region had previously closed. Specifically, a parallel investigation of the same matter, conducted by the Department of Labor (DOL), revealed new information that contradicted the results of the recently completed NRC case. On the basis of its investigation, the OIG concluded that the region did not properly handle the new information identified during the DOL investigation.

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# THE OFFICE OF THE INSPECTOR GENERAL

In October 1978, the U.S. Congress passed and the President signed the Inspector General (IG) Act, which created independent audit and investigative offices within 12 Federal agencies. Before that time, most Federal audit and investigative resources were managed by specific Federal program offices. As a result, Federal auditors and investigators were frequently under the direction of the programs that they reviewed. This system also made it difficult for these small, splintered audit and investigative offices to recognize patterns of abuse in their agencies' programs.

The IG concept has proven to be of significant benefit to the Government. Each year, billions of dollars are returned to the Federal Government or are better spent on the basis of recommendations from IG reports. Because of this success, the IG concept has gradually expanded to most of the Federal Government, and 57 IGs now provide oversight for 59 Federal agencies.

The modern civilian IG was derived from the military custom of having an "Inspector General" to independently review the combat readiness of the Continental Army's troops. Today's civilian IGs are charged with a similar mission to independently review the programs and operations of their agencies; to detect and prevent fraud, waste, and abuse; and to promote economy, efficiency, and effectiveness so that their agencies can best serve the public.

To accomplish their broad mandate, the IGs have substantial independence and authority to conduct audits and investigations of agency programs. They have direct access to agency records and materials; have ready access to

agency heads; issue subpoenas for all necessary information, data, reports, and other documentary evidence; administer oaths for taking testimony; hire their own staffs; and request assistance from other Federal, State, and local Government agencies. They also act as independent fact gatherers, often undertaking initiatives at the request of the agency head, and provide assessments in such areas as financial management systems and internal controls. In such instances, the IGs and agency management pursue the same ultimate goal — efficient and effective program operation and service delivery.

The existence of the IGs also relieves agency program managers and executives from being solely responsible for gathering objective data and evidence in circumstances where wrongdoing is suspected and where intense scrutiny and controversy exist. In this capacity, an IG is the focal point of responsibility for conducting audits and investigations related to an agency's programs.

In the case of the U.S. Nuclear Regulatory Commission (NRC), Congress established an independent Office of the Inspector General (OIG) through the 1988 amendment to the IG Act. Today, the OIG's primary mission is to assist the NRC by ensuring integrity, efficiency, and accountability in the agency's programs to regulate the civilian use of byproduct, source, and special nuclear materials in a manner that adequately protects the health and safety of the public, as well as the environment, while promoting the Nation's common defense and security. Specifically, the NRC's OIG supports the agency by carrying out its mandate to

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(1) independently and objectively conduct and supervise audits and investigations related to the NRC's programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in the NRC's programs and operations. The OIG also keeps the NRC Chairman and members of Congress fully and currently informed about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions. In Fiscal Year (FY) 2001, the NRC's total budget authority is \$487 million, which includes an appropriation of \$5.5 million for the OIG.

## **ORGANIZATION AND FUNCTIONS OF THE NRC'S OIG**

The NRC's OIG includes an audit staff, an investigative staff, an independent counsel, and a resource management and operations support (RMOS) staff. The IG's audit program is designed to keep the NRC Chairman and members of Congress fully and currently informed about problems, recommend corrective actions, and monitor NRC's progress in implementing such actions. OIG conducts performance, financial, and contract audits. Performance audits are conducted on NRC administrative and program operations to evaluate the effectiveness and efficiency with which managerial responsibilities are carried out and whether the programs achieve intended results. Financial audits attest to the reasonableness of NRC's financial statements. Contract audits evaluate the costs of goods and services procured by NRC from commercial enterprises. In addition, the audit staff prepares special evaluation reports that present OIG perspectives or information on a specific topic.

The mission of the OIG's investigative program is to perform investigative activities

related to the integrity of the NRC's programs and operations. The majority of the OIG's investigations focus on violations of law or misconduct by NRC employees and contractors, as well as allegations of irregularities or abuses in NRC programs and operations. As a complement to the investigative function, the staff also conducts Event Inquiries, which yield investigative reports documenting the examination of events or agency actions that do not specifically involve individual misconduct. Instead, these reports identify institutional weaknesses that led to or allowed the occurrence of a problem. In addition, the OIG's investigative staff periodically implements preventive initiatives such as integrity awareness training.

The OIG's General Counsel (GC) provides independent legal advice on issues concerning criminal law and procedures, evidence, and Constitutional law as they relate to the OIG's investigative program. The GC also develops legal interpretations of appropriation law, financial management statutes and regulations, and procurement and funding rules in support of the OIG's audit program. In addition, the GC conducts and coordinates with other cognizant OIG staff in-depth reviews, and as appropriate, prepares commentaries on existing and proposed legislation, regulations, directives, and policy issues that affect NRC programs and operations. The intent of these reviews is to assist the agency in prospectively identifying and preventing potential problems.

The RMOS staff formulates and executes the OIG budget, prepares the OIG's Semiannual Report to Congress, operates an independent personnel program, administers the control of OIG funds, administers the information technology programs, coordinates strategic planning activities, and performs a variety of other support functions.



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## ABOUT THE NRC

The NRC's mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The scope of the NRC's responsibilities includes regulating commercial nuclear power plants; research, test, and training reactors; fuel cycle facilities; medical, academic, and industrial uses of nuclear materials; and transportation, storage, and disposal of nuclear materials and waste.

Under its responsibility to protect public health and safety, the NRC has three principal regulatory functions. Specifically, the NRC (1) establishes standards and regulations, (2) issues licenses for nuclear facilities and users of nuclear materials, and (3) inspects facilities and users of nuclear materials to ensure compliance with the agency's requirements. These regulatory functions relate to both nuclear power plants and other uses of nuclear materials, including nuclear medicine programs at hospitals, academic activities at educational institutions, research, and such industrial applications as gauges and testing equipment, among others.

The NRC places a high priority on keeping the public informed of its work. Toward that end, the agency maintains a Web site and a public document room. In addition, the agency holds public hearings, public meetings in local areas and at NRC offices, and a variety of discussions with individuals and organizations.

The NRC is headed by a five-member Commission, appointed by the President with the advice and consent of the Senate, who each serve a term of up to 5 years. The president also designates one member to serve as the Chairman, principal executive officer,

and official spokesman of the Commission. The Executive Director for Operations (EDO) serves as the head of the agency for day-to-day operations and is responsible for the administrative functioning of the agency. The EDO oversees the following major program areas:


- Nuclear Reactor Regulation directs all licensing and inspection activities associated with the design, construction, and operation of nuclear power reactors and non-power reactors.
- Nuclear Material Safety and Safeguards directs all licensing inspection and environmental activities associated with nuclear fuel cycle facilities, uses of nuclear materials, storage and transportation of nuclear materials, safeguarding of nuclear materials, management and disposal of low-level and high-level radioactive nuclear wastes, and decontamination and decommissioning of facilities and sites.
- Nuclear Regulatory Research provides independent expertise and information for making timely regulatory judgments, anticipating problems of potential safety significance, and resolving safety issues. In addition, the Office of Nuclear Regulatory Research supports the development of technical regulations and standards, and collects, analyzes, and disseminates information about the operational safety of commercial nuclear power reactors and certain nuclear materials activities.
- Regional offices conduct inspection, enforcement, investigation, licensing, and emergency response programs for nuclear reactors, fuel facilities, and materials licensees within the regional boundaries established by the NRC's Headquarters' offices.

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The NRC staff numbers approximately 3,000, with roughly two-thirds of the employees working at the agency's headquarters in Rockville, Maryland. The remainder are primarily located in four regional offices or at resident inspector offices at each commercial nuclear power plant and some fuel cycle facilities.

## MANAGEMENT CHALLENGES FACING THE NRC

The following table summarizes the seven most serious management challenges facing the NRC as of November 22, 2000.

NRC's Most Serious Management Challenges as of November 22, 2000	
<b>Challenge 1</b> Development and implementation of an appropriate risk-informed and performance-based regulatory oversight approach	<b>Challenge 5</b> Intra-agency communication (up, down, and across agency organizational lines)
<b>Challenge 2</b> Identification, acquisition, and implementation of information technologies	<b>Challenge 6</b> Regulatory processes that are integrated and continue to meet NRC's safety mission in a changing external environment
<b>Challenge 3</b> Administration of all aspects of financial management	<b>Challenge 7</b> Maintenance of a highly competent staff to carry out NRC's public health and safety mission (i.e., human capital management)
<b>Challenge 4</b> Clear and balanced communication with external stakeholders	 The challenges are <u>not</u> ranked in any order of importance

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# THE AUDIT PROGRAM

*To help the agency improve its effectiveness during this period, OIG completed 9 performance audits that resulted in 52 recommendations to NRC management and that identified \$75,000 in funds that could be put to better use. Six contract audits conducted by the Defense Contract Audit Agency identified \$2,422 in questioned costs.*

## AUDIT SUMMARIES

### ***Review of NRR's License Amendment/Safety Evaluation Process***

Commercial nuclear power plant licensees submit approximately 1,500 applications each year to request that the NRC amend their operating licenses. The Office of Nuclear Reactor Regulation (NRR) is responsible for processing and responding to these license amendment requests. Safety evaluations are an essential part of NRR's response. Safety evaluations provide the regulatory bases for the staff's decisions regarding licensing actions and the technical, safety, and legal basis for NRR's disposition of a license amendment request.

In June 1999, the NRC approved an Indian Point 2 Nuclear Power Plant license amendment request to extend the previously established steam generator inspection interval. In February 2000, a steam generator tube failed, prompting considerable public interest. Congressional interest in this event caused the OIG to initiate an audit of NRR's safety evaluation process to (1) evaluate its efficiency and effectiveness and (2) determine whether refinements are needed.

The OIG audit revealed that NRR has developed a detailed process for responding to license amendment requests. The process, which includes the development of safety evaluations, is well thought out and thorough, and includes all of the necessary steps to ensure

that the staff performs the technical reviews that are required for NRR to approve or disapprove license amendment requests. During the audit, the OIG's discussions with NRC officials and stakeholders did not reveal any concerns regarding the technical quality of NRR's safety evaluations. However, the process does not provide adequate controls to demonstrate that all process steps are completed and supported by sufficient documentation. In addition, the OIG was unable to verify some process steps by reviewing official or other documentation that was readily available in NRR. This is because NRR has not met agency record management requirements in documenting the license amendment process.

The OIG made three recommendations to the NRC's Executive Director for Operations (EDO) that NRR should implement to enhance the license amendment/safety evaluation process. At an exit conference, agency managers generally agreed with the facts and recommendations contained in the draft audit report. (*Addresses Management Challenges #1 and #6*)

### ***Memorandum Report: Review of Unbilled Subcontractor Costs Submitted by Computer Sciences Corporation***

This report reflects the results of the OIG's audit of the NRC's process for approving a Computer Sciences Corporation invoice of

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\$542,709 for unbilled costs. The objective of the audit was to determine if the NRC staff received valid and reliable data to approve the unbilled costs. Because the data contained errors and was incomplete, the OIG recommended that the NRC should delay payment until an incurred cost audit is performed. At an exit meeting, agency officials agreed with the report's recommendation. (*Addresses Management Challenge #3*)

### ***Accountability and Control Over NRC's Noncapitalized IT Equipment***

The NRC maintains its official property records in an online, interactive, computer-based property and supply system (PASS), which serves as the official database for the agency's property transactions. The Office of Administration, Division of Contracts and Property Management (DCPM), manages the system, which accounts for more than 27,000 pieces of noncapitalized equipment, with an acquisition cost of approximately \$75 million. Of these totals, noncapitalized information technology (IT) equipment comprises approximately 16,000 pieces, with an acquisition cost of approximately \$51 million. Noncapitalized property has an initial cost of less than \$50,000 per item.

The objectives of this audit were to determine whether (1) the NRC's policies governing the accountability and control over agency noncapitalized IT equipment adhere to applicable laws and regulations; (2) the official database for NRC property transactions reflects accurate information regarding the agency's noncapitalized IT equipment; and (3) the property management program has adequate safeguards to deter and prevent loss through fraud, waste, or misuse.

This OIG audit revealed that the NRC's property management policies for noncapitalized

IT equipment adhere to applicable laws and regulations, such as the Federal Property Management Regulations. However, the management controls to implement these policies are inadequate or lacking. Also, PASS contains inaccurate information; in fact, statistical projections indicate that the system does not accurately reflect the locations of as many as 3,571 of the agency's 16,000 pieces of non-capitalized IT equipment, with an acquisition cost of approximately \$8.38 million. In addition, the OIG reported that the agency needs improved management controls to better safeguard its equipment. The OIG made 14 recommendations to the EDO to improve the property management program. Of these 14 recommendations, 8 relate to improving the accuracy of PASS information, and 6 address inadequate or lacking management controls. At an exit conference, NRC officials stated general agreement with the report's findings and recommendations. (*Addresses Management Challenges #2 and #3*)

### ***Review of NRC's Dry Cask Storage Program***

In the early 1980s, the NRC predicted that 39 nuclear plants could run out of needed space in their spent fuel pools by 1990. In 1982, Congress passed the Nuclear Waste Policy Act in an attempt (among other things) to address the need for nuclear power plants to store spent fuel without adversely affecting plant operations. The Act directed the Commission to (1) expedite effective use of available storage at reactor sites, (2) approve the use of one or more technologies without the need for approval specific to each site, and (3) establish procedures for licensing that technology. The technology adopted for interim storage of spent fuel was dry cask storage, which involves the use of heavily shielded containers to store radioactive material including spent fuel. According to nuclear power industry estimates, about 230 casks are currently loaded on spent fuel storage installations at reactor sites, and the industry



*Susquehanna Steam Electric Station*

projects that more than 1,000 dry casks will be loaded by the year 2010.

The OIG conducted an audit in response to the increased importance of dry cask storage. The objectives of this audit were to determine whether (1) the NRC met the intent of the Nuclear Waste Policy Act, to encourage and expedite the process by which licensees provide additional storage for spent nuclear fuel, and (2) opportunities exist to improve the efficiency and effectiveness of the dry cask certification process.

One objective of the Nuclear Waste Policy Act was to avoid nuclear power plant shutdowns that are attributable to the loss of spent fuel storage capacity. The OIG's audit revealed that, because of re-racking (i.e., redistributing used fuel rods to gain more space in the spent fuel pool) and limited use of dry cask storage, no licensee to date has shut down a plant due to a loss of spent fuel storage space. However, only limited additional storage capacity is available

through continued re-racking, and the NRC may need to certify additional cask designs. Use of the direct final rule process for those certifications could result in saving \$75,000 per design and reduce the processing time by 28 weeks.

The OIG made three recommendations to the EDO to improve the dry cask storage certification process. At the exit conferences for this audit, NRC officials agreed with the recommendations. (*Addresses Management Challenges #1 and #6*)

### ***Memorandum Report: The Workforce Planning Contract***

In October 2000, the NRC Chairman requested that, by the end of January 2001, the staff provide a plan to the Commission to assess and maintain the agency's scientific, engineering, and technical core competencies. The Chairman noted that maintaining technical competencies may be the biggest challenge confronting the NRC. As part of the OIG's review of the agency's workforce planning efforts, the audit team identified a series of events that warranted attention.

To address the Chairman's challenge, the Office of Human Resources (HR) was tasked to respond to the Chairman's request. In response, the HR project officer prepared a package, including a statement of work, to procure consultant and implementation services and assistance with NRC's initiative to develop, pilot, and implement a strategic workforce planning program. In December 2000, the NRC's DCPM faxed the request for quote packets to three vendors listed under a human resources management schedule contract group of the GSA's Federal Supply Schedules. Only one vendor submitted a proposal. The NRC awarded a contract to that vendor within 3 business days, with the period of performance  
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lasting through June 30, 2002. The initial contract, valued at \$350,000, included four tasks, with the last three tasks designated as “optional.”

The OIG found that although the agency’s actions appeared to have met basic Federal contracting standards, they did not provide assurance that the NRC’s best interests were being protected. Individually, various events in the contracting process may not have been cause for concern. However, taken together, they created the appearance that the contracting process had not met the spirit of Federal contracting standards and that contract costs were not being tightly controlled. Specifically, (1) the NRC awarded the original contract after a solicitation period of only 3 business days and its evaluation of the sole bidder’s response; (2) the contractor’s first task deliverable predicted a sizeable increase in contractor costs to complete the initial phase of the workforce planning effort; (3) only 3 months into the 18-month contract, the contractor had billed for approximately 77 percent of the total contract value; and (4) only 4 months into the contract, the NRC increased the contract amount from \$350,000 to \$651,000, while decreasing the period of performance from 18 months to 9 months.

Agency management agreed with the two recommendations that the OIG made to the EDO to strengthen the implementation and oversight of this contract. (*Addresses Management Challenges #3 and #7*)

### ***Review of NRC’s Critical Infrastructure Assurance Program, PDD 63, Phase III***

The U.S. Government Policy on Critical Infrastructure Protection: Presidential Decision Directive (PDD) 63 calls for a national effort to ensure the security of the Nation’s critical infrastructures, which include those physical and cyber-based (computer) systems that are essential to the operation of the Nation’s

economy and government. Physical security is the first line of defense for protecting this critical infrastructure. Physical security refers to the protection of building sites and equipment from theft, vandalism, natural and man-made disasters, and accidental damage.

The objectives of this review were to determine whether NRC officials (1) developed an effective plan for protecting the agency’s physical (non-cyber-based) minimum essential infrastructures; (2) identified its physical minimum essential infrastructures; and (3) identified the threats, vulnerabilities, and potential magnitude of harm to the physical minimum essential infrastructures. The OIG conducted this review in conjunction with a national review being coordinated by the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

This report made four recommendations; however, this Semiannual Report to Congress does not recount details regarding the OIG’s findings and related recommendations because of the sensitive nature of the information. (*Addresses Management Challenge #2*)

### ***Results of the Independent Evaluation of NRC’s Information Security Program as Required by the Government Information Security Reform Act (GISRA)***

During this reporting period, Richard S. Carson & Associates, Inc., conducted an independent evaluation on behalf of the OIG. This was the first annual evaluation required by GISRA, which focuses on the program management, implementation, and evaluation aspects of unclassified information security.

The evaluation revealed that the NRC’s information security program comprises a comprehensive set of policies and procedures.

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However, the NRC does not have a process to ensure that the policies and procedures are implemented, and the implementation is inconsistent. The information security program also lacks central oversight and a senior official responsible for program development, implementation, and maintenance. Further, the agency does not have performance measures in place to assess the implementation of and compliance with the NRC's information security program. The evaluation did not identify mission critical material weaknesses, but did identify the need to improve the management controls over the NRC's information technology assets.

In an exit conference, the OIG staff discussed the report's content with senior agency officials. The OIG will evaluate the NRC's Corrective Action Plan addressing the 16 recommendations, which is due to be submitted to the Office of Management and Budget (OMB) by October 31, 2001.  
*(Addresses Management Challenge #2)*

### ***Review of NRC's Workforce Planning***

One of the most serious management challenges facing the NRC is the maintenance of a highly competent staff to carry out the agency's public health and safety mission. This effort, known as "workforce planning," is a systematic process of identifying the "human capital" required to meet organizational goals, and developing strategies to meet those requirements. One aspect of workforce planning focuses on achieving labor continuity so that when employees leave the agency, the NRC has developed candidates to fill those positions. This is particularly important, since about 15 percent of the NRC's staff (403 employees) is eligible to retire, and the percentage is 20 percent or greater in some technical offices. Ultimately, workforce planning should provide managers with a framework for making staffing decisions on the

basis of the organization's mission, strategic plan, budgetary resources, and desired workforce competencies.

To assess the agency's workforce planning efforts to date and determine which offices have the greatest need for workforce planning, the OIG initiated an audit during the previous reporting period. The objectives of this audit were to determine (1) whether the NRC has the requisite resources and senior management support to carry out and sustain a successful workforce planning effort, and (2) whether the NRC has an agencywide workforce plan to ensure that the agency will have the necessary staff to continue to meet its safety mission.

The OIG's audit revealed that the NRC is making a concerted effort to strengthen its workforce planning approach; however, the agency lacks a comprehensive, agencywide workforce plan. That is, the NRC has not yet fully integrated workforce planning into its budget process, communicated its approach throughout the agency, or institutionalized its efforts in a holistic plan that coordinates the various efforts that are currently underway. Until the NRC develops and implements such a plan, the future of its workforce planning efforts is at risk and could potentially jeopardize the agency's ability to maintain the workforce needed to meet its mission.

This report makes five recommendations to the EDO to integrate, communicate, and institutionalize the NRC's workforce planning efforts. *(Addresses Management Challenge #7)*

### ***Unauthorized Release of Documents to the ADAMS Public Library***

The Agencywide Documents Access and Management System (ADAMS) is the electronic recordkeeping system that the NRC uses to

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maintain the agency's official records. ADAMS is also the information dissemination system that the NRC uses to place publicly available records on the agency's public Web server.

In June 2001, a public citizen informed the NRC that sensitive, non-public documents had been made available to the public via ADAMS. In the wake of that event, the OIG conducted an audit to assess the cause of the unauthorized release of non-public information to the ADAMS Public Library, as well as the handling of that release by the NRC's Office of the Chief Information Officer (OCIO).

The OIG's report made four recommendations to the EDO to help the agency limit further incidents involving unauthorized release of documents to the public from the ADAMS Public Library. Two recommendations focused on improving software controls, two involved enhancing security over ADAMS, and one addressed the need to improve communication procedures within the agency. However, this Semiannual Report to Congress does not recount details regarding the OIG's findings and related recommendations because of the sensitive nature of the information. At the exit conference, the OIG staff discussed the report's content with senior NRC officials, who generally agreed with the report's findings and recommendations. (*Addresses Management Challenges #2 and #5*)

## **AUDITS IN PROGRESS**

### ***Audit of NRC's AID-Funded Assistance Programs***

The NRC conducts several formal assistance programs for the nuclear regulators of four countries in the former Soviet Union, including Russia, Ukraine, Kazakhstan, and Armenia. These programs are funded through the Foreign Assistance Act, as amended by the Freedom of Support Act. The Russian and

Ukrainian programs were initiated in the early 1990s, with Armenia and Kazakhstan starting a few years later. Through FY 2001, the agency had received nearly \$38.95 million through fund transfers from the U.S. Agency for International Development (AID) Funded Assistance Activities to NRC. The assistance activities are coordinated by the Office of International Programs, with technical support provided by NRC program offices.

The overall objective of the OIG's audit is to determine whether the NRC has adequate management controls in place to efficiently and effectively manage its AID-funded assistance programs. (*Addresses Management Challenges #3, #4, and #6*)

### ***Audit of NRC's Financial Statements for Fiscal Year 2001***

Under the Chief Financial Officers Act of 1990, the OIG is required to audit the NRC's financial statements or obtain the services of an independent, external audit firm to perform the audit. The OIG is currently auditing the NRC's financial statements for FY 2001 in accordance with applicable auditing standards. This audit will express an opinion on the agency's financial statements, evaluate internal controls, review compliance with applicable laws and regulations, review the performance measures included in the financial statements for compliance with OMB guidance, and review the controls in the NRC's computer systems that are significant to the financial statements. (*Addresses Management Challenge #3*)

### ***Audit of the Loss of Materials Licensees' Impact on Fees***

The NRC must recover approximately 100 percent of its budget authority by collecting fees from its applicants and licensees. At the same time, NRC has signed agreements with States



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that allow them to regulate the use of radioactive material within those Agreement States. There are currently 32 Agreement States which regulate about 75 percent of the material licensees in the United States, with the potential to reach 80 percent by FY 2003. As the number of licensees regulated by Agreement States has grown, the number regulated by the NRC has decreased. However, the agency maintains a significant infrastructure to support activities such as rulemaking, providing technical support, developing additional program guidance, and performing event followup. The objective of this review is to determine whether the NRC is adjusting its resources and operations to reflect these impacts. (*Addresses Management Challenges #3, #4, and #5*)

### ***Review of the Agencywide Documents Access and Management System***

Effective document management is critical to implementing the agency's mission. Agency documents contain important information that provides the basis for policies, decisions, and regulatory actions. Consequently, the NRC planned a core system (ADAMS) to meet the agency's current and future needs for agencywide documents access and management. Specifically, the NRC planned for ADAMS to address the agency's records management requirements in a manner that would be acceptable to the National Archives and Records Administration as the NRC's official electronic recordkeeping system. The agency envisioned that ADAMS would make more documents available to the public, while reducing the time it takes for NRC staff to respond to requests from the public, licensees, and Congress.

With a business case justifying a 2-year project costing \$12.8 million, the system was declared operational on April 1, 2000. However, the system had shortfalls with regard to the functionality, ease of use, reliability, and

document tracking and reporting capabilities desired by the agency. Overall, these shortfalls prevented the system from operating as desired.

In May 2000, the Chairman requested that the OCIO conduct an assessment of issues affecting the implementation of ADAMS and provide an action plan to addressing those issues. The objectives of this OIG review are to (1) determine how effectively the OCIO has carried out the Chairman's request and (2) assess whether the lessons learned and system fixes resulted in adequate improvements to the system. (*Addresses Management Challenges #2, #4, and #5*)

### ***Review of NRC's Significance Determination Process***

NRR is installing a new reactor oversight and assessment program to gauge licensees' performance and cite violations where appropriate. A critical element of this program is the Significance Determination Process (SDP), which staff are to use in assessing inspection findings and determining whether additional inspection or enforcement action is warranted. The NRC's objective in using the SDP is to achieve better consistency in the way agency staff measure and respond to licensee performance and inspection findings.

The objectives of this audit are to determine whether (1) the SDP is achieving the desired results, (2) the NRC staff clearly understands the process, and (3) the NRC staff is using the process in accordance with agency guidance. (*Addresses Management Challenges #2, #4, #5, and #6*)

### ***Review of NRC's Use of Credit Hours***

Public Law (P.L.) 97-221, Federal Employees Flexible and Compressed Work  
(*continued on next page*)

Schedules Act of 1982, authorized the use of alternative work schedules for Federal workers for a 3-year period. P.L. 99-196 (approved in 1985) converted this temporary authority to permanent. These authorities are reflected in Title 5 of the United States Code, Chapter 61 (5 U.S.C. 61), Subchapter II, "Flexible and Compressed Work Schedules," which authorizes agencies to establish programs that allow the use of flexible schedules as described therein.

The objectives of this review are to determine whether the NRC's credit hour policies comply with applicable laws and regulations, and whether established practices provide adequate controls over the use of credit hours. (*Addresses Management Challenge #7*)

### ***Review of NRC's Accountability and Control of Software, Including Compliance with Software Licensing Agreements***

It is the NRC's policy to effectively and efficiently manage and use agency property in its (or its contractors') possession, and to provide sufficient controls to deter or eliminate loss through fraud, waste, or misuse. The agency's use of and investment in functional computer software is significant. As of September 2000, the agency had capitalized software with a value of over \$53.1 million, with an additional \$7.7 million representing software under development. Accordingly, the NRC must effectively implement adequate policies and procedures to safeguard the agency's software and ensure compliance with external laws and regulations.

The objectives of this review are to assess the following considerations:

- (1) Do the policies governing the accountability and control of software and compliance with software licensing agreements adhere to applicable laws and regulations?

- (2) Is the software on the NRC's computer equipment properly licensed?
- (3) Do the NRC's management controls adequately account for software and provide adequate safeguards to deter and prevent loss through fraud, waste, or misuse?

(*Addresses Management Challenges #2 and #4*)

### ***Internet Usage***

The use of the Internet offers tremendous research capabilities to assist NRC employees in performing their jobs. Nonetheless, providing Internet access carries some risks, one of which is the opportunity for employees to excessively browse Web sites for personal reasons. NRC Management Directive 2.7, "Personal Use of Information Technology," states that "it is the policy of the NRC to permit employees limited use of agency information technology for personal needs if the use does not interfere with official business and involves minimal or no additional expense to the NRC."

The OIG is conducting this review to determine whether use of the Internet by NRC employees is appropriate and in compliance with the agency's policy. (*Addresses Management Challenges #2, #5 and #7*)

## ***SIGNIFICANT RECOMMENDATIONS NOT YET COMPLETED***

### ***NRC Compliance with the Federal Financial Management Improvement Act of 1996***

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to establish a remediation plan when their financial systems do not comply with the provisions of the Act. The remediation plan is

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to include resources, remedies, and intermediate target dates to bring the agency's systems into compliance. An agency then has 3 years to implement its plan. Section 804(b) of the FFMIA requires that IGs who prepare semiannual reports to Congress must report instances and reasons when an agency has not met the intermediate target dates established in its remediation plan.

On March 1, 1999, the OIG reported a substantial noncompliance with the FFMIA

because the NRC had not implemented a cost accounting process as required by Statement of Federal Financial Accounting Standards No. 4. The NRC's Office of the Chief Financial Officer submitted a remediation plan dated July 19, 1999, which was last revised in May 2001. Full implementation of cost accounting is now scheduled for January 2002.

The OIG will continue to monitor the agency's progress and report, as needed, in future semiannual reports.



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# THE INVESTIGATIVE PROGRAM

*During this reporting period, the OIG received 87 allegations, initiated 34 investigations, and closed 35 cases. In addition, the OIG made 17 referrals to NRC management.*

## **INVESTIGATIVE CASE SUMMARIES**

### ***Theft of Satellite Television Signals by Region IV Personnel***

The OIG completed an investigation on the basis of an anonymous letter alleging that NRC regional employees were altering devices in order to steal satellite television programming. The letter further alleged that these individuals were selling these devices to other NRC regional staff members.

Together with the U.S. Secret Service, the OIG conducted a joint investigation into this matter, which confirmed that a regional supervisor and another employee were altering the access cards used within DIRECTV satellite television devices to receive unrestricted, free access to DIRECTV's programming. During the course of the investigation, the OIG also determined that the individuals were using NRC-owned and personally owned computers to perform the illegal alterations. In addition, the OIG determined that an NRC regional manager had paid one of the individuals to alter his access card to enable him to receive free programming.

The two NRC employees who altered the DIRECTV access cards to receive unrestricted programming resigned from the NRC. To date, one of the two individuals pleaded guilty in Federal Court in Fort Worth, Texas, for signal

theft and related charges. Sentencing is scheduled for January 2002. The other two NRC employees, as well as a non-NRC individual identified during the course of this investigation entered into pre-trial diversion agreements with the United States Attorney's Office, Northern District of Texas, Fort Worth office. (*Addresses Management Challenge #2*)

### ***Mishandling of Allegations Against Region Staff By Regional Management***

The OIG conducted an investigation involving a former employee of an NRC contractor, who alleged that he was fired after he reported misconduct by two NRC staff members in a letter to senior regional management. In particular, this contractor employee alleged that he was fired because senior NRC management provided the letter to his contractor supervisor.

The OIG investigation revealed that senior regional management violated NRC Management Directives and internal policy guidance pertaining to the handling of allegations by releasing the letter containing allegations to the NRC contractor. The letter contained the identity of the allegor, the details of the allegations, and identities of the NRC regional staff who were the subjects of the allegations. As a result of receiving the letter, the NRC contractor terminated the employee. In addition, the OIG determined that senior

*(continued on next page)*

NRC management distributed the letter to at least three other regional employees, including a staff member who was the subject of one of the allegations contained in the letter.

### ***NRC's Handling of Department of Labor Harassment and Intimidation Investigation***

The OIG completed an investigation regarding an allegation that NRC regional staff failed to take appropriate action after receiving new information concerning a harassment and intimidation (H&I) investigation that the region had previously closed. Specifically, the investigation conducted by the region involved an allegation that a nuclear power plant licensee manager discriminated against a licensee shift foreman for engaging in protected activity. A parallel investigation of the same matter, conducted by the Department of Labor (DOL), revealed new information that contradicted the results of the recently completed region case. Reportedly, DOL based its conclusion, in part on notes taken by a licensee consultant, which documented conversations between the consultant and licensee executives that, to DOL, indicated collusion.

On the basis of its investigation, the OIG determined that the region did not properly address the new information that surfaced during the DOL investigation. The region's investigation determined that the licensee did not discriminate against the shift supervisor. However, DOL's investigation concluded that the consultant's notes contained evidence that the licensee did discriminate against the supervisor, and that there was collusion between the consultant and licensee management to remove the supervisor from his position as a shift foreman. Given that DOL and the region came to opposite conclusions after reading the consultant's notes, and that neither DOL nor the region had interviewed the consultant during their investigations, the OIG determined that the

region should have ensured that the consultant was interviewed to obtain the proper context and meaning of his notes. As part of its investigation, the OIG interviewed the consultant and determined that there was no evidence of collusion between the consultant and the licensee's executives.

### ***Falsification of Travel Vouchers and Time and Attendance Records by Regional Employee***

The OIG completed an investigation in response to several anonymous complaints alleging that an NRC regional employee submitted a fraudulent claim for reimbursement of expenses associated with official travel in May 2000, converted officially obtained frequent flyer mileage for personal use, and improperly used NRC mass transit benefits for his personal use.

The OIG determined that the employee converted frequent flyer miles obtained through official travel into an airline ticket for his wife. The value of Government frequent flyer miles converted to the employee's personal use exceeded \$1,000 (commercial fare). This investigation did not substantiate that the employee submitted a fraudulent travel claim or that he misused NRC mass transit benefits.

### ***NRC Contractor Use of NRC Pager for Personal Business***

The OIG conducted an investigation on the basis of a review of two-way pager billing records, which showed that a pager assigned to an employee of an NRC contractor had incurred excess usage charges of \$1,086 over a 4-month period. This investigation revealed that the contractor's employee had used the two-way communication features of the assigned pager to send email messages via the Internet. The overwhelming majority of these communications were personal in nature and involved a female residing in Australia. The contractor's

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employee has since left the NRC; however, the NRC is pursuing reimbursement of these charges from the contractor.

***Government Travel Abuse and Use of an NRC Computer to View Pornography***

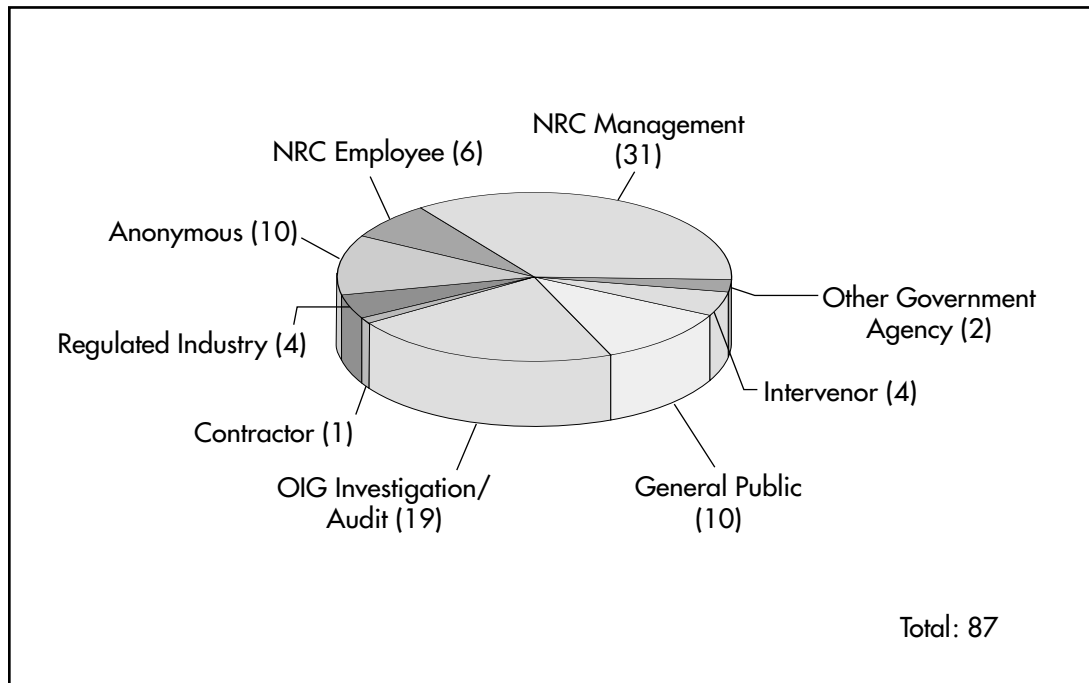
The OIG completed two separate investigations involving an NRC reactor inspector. One investigation involved the inspector's misuse of his Government Citibank Visa travel credit card for personal purchases and for personal air travel using the Government's fare rate. The second investigation involved the inspector's misuse of his Government-assigned NRC computer. Specifically, a coworker who borrowed the computer while the inspector was away for training, discovered evidence that the inspector had used the NRC computer to view pornographic Web sites.

The first OIG investigation revealed that the reactor inspector used his Government Citibank Visa travel credit card for \$269.57 in personal purchases after he had been counseled by his supervisor on two separate occasions regarding his improper use of the credit card. The OIG also determined that the inspector changed his itinerary on official Government travel to add personal travel that the Government paid for at Government travel rates. Additionally, the OIG determined that during NRC business travel, the inspector received \$777.95 in airline fare refund vouchers belonging to the Government, which he converted into personal travel for himself and another family member. The second OIG investigation revealed that the reactor inspector visited "adult" Web sites using his NRC computer and downloaded 279 pornographic images.

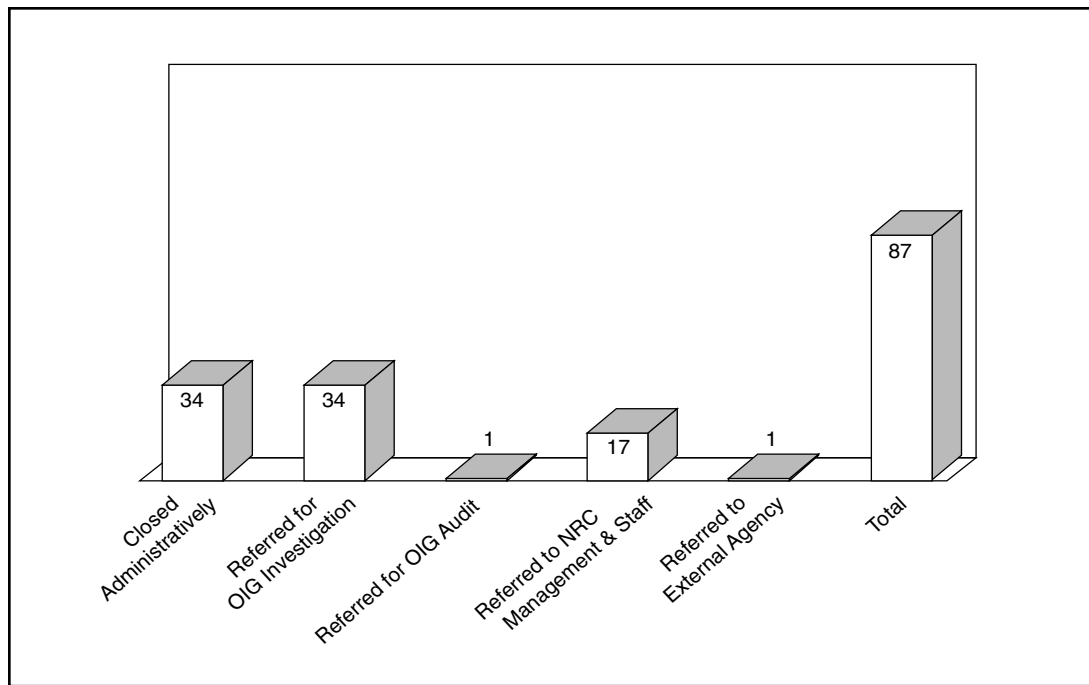
*(continued on next page)*

## INVESTIGATIVE STATISTICS

### Source of Allegations — April 1, 2001 through September 30, 2001



### Disposition of Allegations — April 1, 2001 through September 30, 2001





## Status of Investigations

DOJ Referrals	21
State Referrals	1
State Acceptance for Prosecution	1
DOJ Acceptance for Prosecution	2
DOJ Declinations	19
Indictments and Arrests	5
Convictions	1
PFCRA Recoveries	\$11,820
Other Seizures and Recoveries	\$2,748,889*
	\$4,840
	\$1,713
Total Recoveries	\$2,767,262
NRC Administrative Actions:	
Terminations and Resignations	1
Suspensions and Demotions	2
Other Administrative Actions	4
Counseling	2

\*This seizure is the result of a joint FBI/OIG investigation.

## Summary of Investigations

<i>Classification of Investigations</i>	<i>Carryover</i>	<i>Opened Cases</i>	<i>Closed Cases</i>	<i>Cases In Progress</i>
A - Conflict of Interest	2	0	1	1
B - Internal Fraud	0	2	2	0
C - External Fraud	11	2	8	5
D - False Statements	3	2	3	2
E - Theft	1	1	1	1
F - Misuse of Government Property	7	11	6	12
G - Employee Misconduct	0	0	0	0
H - Management Misconduct	4	2	5	1
I - Technical Allegations — Other	1	5	5	1
J - Whistleblower Reprisal	1	0	1	0
<b>Total Investigations</b>	<b>30</b>	<b>25</b>	<b>32</b>	<b>23</b>
<b>Total Event Inquiries</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Investigative Initiatives</b>	<b>17</b>	<b>1</b>	<b>1</b>	<b>17</b>

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# OTHER ACTIVITIES

## **REGULATORY REVIEW**

The Inspector General Act, 5 U.S.C. App. 3, Section 4(a)(2), requires the OIG to review existing and proposed legislation and regulations, and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of programs and operations administered by the agency. NRC agency directives requiring submission of all draft legislation, regulations, and policies to the OIG facilitates this statutory review.

The OIG conducts its regulatory reviews by examining documents submitted by the agency, which reflect regulatory, statutory, and policy actions. The agency's proposed actions are measured against standards that are intended to evaluate the potential for fraud, waste, and abuse, as well as efficiency. The review also encompasses issues raised in OIG investigations, audits, and earlier regulatory commentaries.

The objectives of the regulatory review program are to systematically address agency actions, and to continue an ongoing dialogue to eliminate vulnerability to fraud, waste, and abuse within the agency. It also serves to advise agency managers of the importance of considering aspects of agency policy and procedures that impact the OIG's mission-related functions and responsibilities. In addition, comments are used to address issues related to preserving the independence and integrity of the OIG under its statutory precept.

In order to more effectively track agency responses to regulatory review comments, the OIG requests written replies to comments

within 90 days, and notice if the agency declines to revise the proposed directive or policy.

From April 1, 2001, through September 30, 2001, the OIG reviewed more than 250 agency documents, including approximately 160 Commission Papers (SECYs) and 75 Federal Register notices, regulatory actions, and statutes. The most significant commentaries are summarized in the following paragraphs.

During this period, revisions to several Management Directives (MDs) gave the OIG the opportunity to have its independent authority and responsibility documented and clarified.

The first document in this category was MD 10.62, "Leave Administration." The OIG reviewed the guidance in this directive and advised that it be modified to identify the applicable approval official for OIG employees' leave and absence.

Substantive proposals for revision of MD 9.14, "Organization and Functions, Office of International Programs," focused on compliance with the requirements of Management Directive 1.1 that all directives contain a handbook. In a timely reply, the agency responded to the OIG by clarifying that the Office of International Programs is exempt from this provision. However, the agency did positively respond to the comment that information regarding "special access programs" is not ordinarily included in a public document.

The OIG's comments on the proposed revisions to MD 8.2, "NRC Incident Response Program," urged the agency to re-craft the

*(continued on next page)*

directive with more specific and precisely worded direction. Inclusion of minimum numbers for expected drills and exercises was a major point, as was inclusion of the number of times that the agency anticipate staff will meet with licensees.

An issue of great importance to the public, and a matter identified as one of the NRC's most serious management challenges, is communication. The OIG has discussed this issue under its formal title, "Clear and Balanced Communication With External Stakeholders," in a variety of settings and has received positive reactions from attendant agency staff. Because this matter is of critical importance in satisfying the agency's basic statutory mission, the OIG commented on the proposed Commission Paper (SECY 01-137), entitled "Improving Public Participation," which, from the OIG's perspective, failed to allow adequate public participation. When the document was forwarded to the Commission responding to OIG's concerns, the OIG followed up with a memorandum addressed directly to the Commission. In response, the Commission changed the process for the SECY from a

"negative consent" to a "notation vote."

Subsequent revisions have been made to the SECY, with additional response by the OIG. This matter is still under review at the time of this publication.

## **OIG INFORMATION AND PLANNING CONFERENCE**

The OIG held its annual Information and Planning Conference on May 21, 2001. This was a departure from past conferences, as it was held at the beginning of the OIG's planning cycle, rather than toward the end. By holding the conference earlier in the calendar year, the OIG hoped to receive broader stakeholder input into its planning process.

The theme for this year's conference was "NRC's New Regulatory Approach and How Effective Communication is Key." This was a continuation from last year's theme, which addressed only the new regulatory approach. The conference offered a keynote speaker and two panel presentations.

*Inspector General Hubert T. Bell thanks NRC Chairman Richard A. Meserve for his thought-provoking and interesting keynote address at the 2001 OIG Planning Conference.*



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The conference began with opening remarks by Inspector General Hubert T. Bell, who then introduced the keynote speaker, Chairman Richard A. Meserve. The Chairman was asked to expand upon his comments from last year's conference by addressing his perceptions of the NRC's effectiveness in communicating the agency's new regulatory approach. The Chairman began by stating that the NRC cannot accomplish its mission to protect public health and safety and the environment without public confidence and trust in the decisions the Commission and its staff make. He followed by saying that the most significant way that the NRC can instill public trust and confidence is to engage its stakeholders in effective communication. The challenge is to explain the technical details of the facilities that the NRC regulates in terms that are understandable. There is a substantive imperative for the regulator to involve the public in its decision making. The public may on occasion bring to light issues that deserve careful attention that otherwise would not have been examined. Equally important, there is a procedural imperative to make such licensing decisions through processes accessible to the public.

The Chairman's keynote presentation was followed by a panel discussion consisting of four distinguished speakers, including Patricia Norry, Deputy Executive Director for Management, NRC; James Dyer, Regional Administrator, Region III, NRC; Elizabeth Hayden, Deputy Director, Office of Public Affairs, NRC; and David Lochbaum, Union of Concerned Scientists. This panel provided insights related to the impact of effective communication on the new regulatory approach as the NRC continues its ongoing efforts to ensure integrity and effectiveness.

The next and final panel consisted of Carl Paperiello, Deputy Executive Director for Materials, Research and State Programs, NRC;

Kathy Allen, Organization of Agreement States; Paul Schmidt, Conference of Radiation Control Program Directors; and Judith Johnsrud, Independent Consultant. This panel spoke about how the NRC performs as a regulator and as a communicator. Overall, all of the panel members felt that there is good communication between the NRC and outside groups.

Question-and-answer sessions were conducted at the conclusion of Chairman Meserve's keynote address and each panel's presentation. Questions asked by the audience sought clarification regarding a variety of issues addressed during the conference. The conference was concluded with closing remarks from the IG.

The OIG believes that information obtained during the conference was useful in developing the OIG's FY 2002 Annual Plan. The conference and its agenda generated extensive interest and was well attended by NRC staff, including many senior management officials.

## **OIG PARTICIPATES IN FRAUD AWARENESS TRAINING FOR PROJECT MANAGERS**

The NRC has long recognized the importance of developing and maintaining a competent acquisition workforce. The agency recently approved a mandatory acquisition certification and training program for project managers (PMs) and other staff involved in managing NRC contracts. The OIG participated in this important program by conducting sessions on identifying potential fraud. The purpose of the OIG's session was to make NRC PMs aware of (1) how to identify contract fraud, (2) the fact that fraud occurs on NRC contracts, and (3) the need to report fraud to the IG.

*(continued on next page)*

The training session began by describing the OIG's investigative mission, areas of investigative activity, and sources of investigations. The session went on to describe the ways in which procurement contract fraud occurs, such as (1) product substitution, (2) cost mischarging, (3) progress payment fraud, (4) kickbacks, (5) bribery, (6) conflict of interest, (7) theft of sensitive information, (8) wire fraud, (9) false claims, (10) false statements, (11) mail fraud, and (12) computer crime.

Specific cases involving the types of contract fraud were then described in detail so that the PMs and staff would know how contract fraud is actually perpetrated. The NRC staff who attended the training asked many thought-provoking questions, and spoke favorably of the benefits derived from the fraud awareness training.

## **OIG GENERAL COUNSEL PARTICIPATES IN ETHICS AND FRAUD TRAINING**

Maryann Grodin, General Counsel to the Inspector General taught the segment entitled "Ethics and Fraud" at the Inspectors General Institute at the American University. The target audience for this program was prospective and current IGs for federal, state and local jurisdictions. This program covered the broad spectrum of responsibilities and processes encountered in serving as an independent audit and investigatory function within an agency or administration.

Ms. Grodin's presentation significantly contributed to the success of the ethics and fraud program.

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# APPENDICES

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## AUDIT LISTINGS

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### *Internal Program Audit and Special Evaluation Reports*

<b>Date</b>	<b>Title</b>	<b>Audit Number</b>
09/18/01	<i>Review of NRR's License Amendment/Safety Evaluation Process</i>	OIG-01-A-05
04/09/01	<i>Memorandum Report: Review of Unbilled Subcontractor Costs Submitted by Computer Sciences Corporation</i>	OIG-01-A-09
06/01/01	<i>Accountability and Control Over NRC's Noncapitalized IT Equipment</i>	OIG-01-A-10
06/20/01	<i>Review of NRC's Dry Cask Storage Program</i>	OIG-01-A-11
06/21/01	<i>Memorandum Report: The Workforce Planning Contract</i>	OIG-01-A-12
07/18/01	<i>Review of NRC's Critical Infrastructure Assurance Program, PDD 63, Phase III</i>	OIG-01-A-13
09/10/01	<i>Results of the Independent Evaluation of NRC's Information Security Program as Required by the Government Information Security Reform Act (GISRA)</i>	OIG-01-A-14
09/17/01	<i>Review of NRC's Workforce Planning</i>	OIG-01-A-15
09/24/01	<i>Review of the Unauthorized Release of Documents to the ADAMS Public Library</i>	OIG-01-A-16

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**Contract Audit Reports**

<b>OIG Issue Date</b>	<b>Contractor/ Contract Number</b>	<b>Questioned Costs</b>	<b>Funds Put to Better Use</b>
01/26/01	Mega-Tech, Inc. RS-OIP-00-003	0	0
02/12/01	Mega-Tech, Inc. RS-OIP-00-003	0	0
04/13/01	Pennsylvania State University NRC-04-98-041	\$2,422	0
04/16/01	Risk Engineering, Inc. NRC-04-96-037	0	0
05/17/01	Beckman and Associates, Inc. NRC-03-98-021	0	0
06/08/01	Battelle Memorial Institute NRC-04-90-069	0	0



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## AUDIT TABLES

*During this reporting period, the OIG analyzed 6 contract audit reports issued by the DCAA.*

**Table I**

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<b>OIG Reports Containing Questioned Costs April 1, 2001 – September 30, 2001</b>			
<b>Reports</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars)</b>	<b>Unsupported Costs (Dollars)</b>
A. For which no management decision had been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	1	2,422	0
<i>Subtotal (A + B)</i>	1	2,422	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	1	2,422	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months of issuance	0	0	0

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**Table II**

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***OIG Reports Issued with Recommendations  
That Funds Be Put to Better Use  
April 1, 2001– September 30, 2001***

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<b>Reports</b>	<b>Number of Reports</b>	<b>Dollar Value of Funds</b>
A. For which no management decision had been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	1	\$75,000*
<i>Subtotal (A + B)</i>	1	\$75,000
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	1	\$75,000
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0
E. For which no management decision was made within 6 months of issuance	0	0

\*Result of Review of NRC's Dry Cask Storage Program. (See page 6).

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## **ABBREVIATIONS**

AID	U.S. Agency for International Development
ADAMS	Agencywide Documents Access and Management System
DCAA	U.S. Defense Contract Audit Agency
DCPM	Division of Contracts and Property Management (NRC)
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
EDO	Executive Director for Operations (NRC)
FFMIA	Federal Financial Management Improvement Act of 1996
FY	fiscal year
GC	General Counsel (OIG)
GISRA	Government Information Security Reform Act
GSA	U.S. General Services Administration
H & I	harassment and intimidation
HR	Office of Human Resource (NRC)
IG	Inspector General
IT	information technology
MD	Management Directive(s)
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation (NRC)
OCIO	Office of the Chief Information Officer (NRC)
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PASS	Property and Supply System
PDD	Presidential Decision Directive
P.L.	Public Law
PM	project manager
RMOS	Resource Management and Operations Support
SDP	significance determination process
SECYs	Commission Papers
U.S.C.	United States Code

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## REPORTING REQUIREMENTS INDEX

*The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports. This index cross-references those requirements to the applicable pages where they are fulfilled in this report.*

<b>CITATION</b>	<b>REPORTING REQUIREMENTS</b>	<b>PAGE</b>
Section 4(a)(2)	Review of Legislation and Regulations .....	21–22
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies .....	5–10, 15–17
Section 5(a)(2)	Recommendations for Corrective Action .....	5–10
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed .....	12
Section 5(a)(4)	Matters Referred to Prosecutive Authorities .....	15, 19
Section 5(a)(5)	Information or Assistance Refused .....	None
Section 5(a)(6)	Listing of Audit Reports .....	25–26
Section 5(a)(7)	Summary of Significant Reports .....	5–10, 15–17
Section 5(a)(8)	Audit Reports — Questioned Costs .....	27
Section 5(a)(9)	Audit Reports — Funds Put to Better Use .....	28
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made .....	None
Section 5(a)(11)	Significant Revised Management Decisions .....	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed .....	None